

**PUBLIC DISCLOSURE**

**May 29, 2013**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Nuvo Bank & Trust Company  
58621**

**1500 Main Street  
Springfield, Massachusetts 01115**

**Division of Banks  
1000 Washington Street  
Boston, MA 02118**

**Federal Deposit Insurance Corporation  
350 Fifth Avenue, Suite 1200  
New York, NY 10118**

<p><b>NOTE:</b> This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>
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## TABLE OF CONTENTS

General Information.....	1
Institution’s CRA Rating.....	1
Scope of Examination.....	1
Description of Institution.....	3
Description of Assessment Area .....	4
Conclusions with Respect to Performance Criteria .....	7
Appendix A – Fair Lending Policies and Procedures .....	A-1

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Nuvo Bank & Trust Company (Nuvo Bank or the Bank)**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **May 29, 2013**. The agencies evaluate performance in the assessment area(s) as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to an institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and in Appendix A to 12 CFR Part 345.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Nuvo Bank's overall CRA performance is "Satisfactory" based on the following:

- The average net loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans are in the institution's assessment area.
- The distribution of loans by borrowers' income reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- As the Bank did not receive any CRA-related complaints during the evaluation period, this factor did not bear any weight in assigning the overall rating.

## SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and FDIC. Small Bank CRA evaluation procedures, as established by the Federal Financial Institutions Examination Council (FFIEC), were used to assess Nuvo Bank's CRA performance, as the Bank had total assets of less than \$296 million, as of December 31 of both of the prior two calendar years. Small Bank procedures evaluate performance pursuant to the following criteria: LTD ratio; assessment area concentration; lending to borrowers of different incomes; geographic distribution; and record of taking action in response to CRA complaints.

Performance was assessed using Nuvo Bank's most significant loan product lines: commercial loans and home mortgages. Through a review of the Bank's loan portfolio composition and discussions with management, it was noted Nuvo Bank's primary lending focus is small business lending. As small business loans accounted for 65.5 percent of the Bank's loan portfolio as of March 31, 2013, and business lending is the focus of the bank's business strategy, small business loans were given greater weight when arriving at overall conclusions. Small business loans for the purpose of this evaluation include commercial real estate loans and commercial and industrial loans in amounts of \$1 million or less. Since Nuvo Bank is not required to report small business loans, the small business lending analysis was based on a sample of 38 small business loans totaling \$6.3 million in 2012. Total small business lending activity in 2012 was 130 commercial loans totaling \$23 million.

Residential loans accounted for 26.1 percent of the Bank's loan portfolio. Home mortgage loan data was obtained from the Bank's 2011 and 2012 Loan Application Registers (LARs) maintained pursuant to the Home Mortgage Disclosure Act (HMDA). The Bank is required to report home mortgage loans pursuant to HMDA requirements. Home mortgage loans are defined as home purchase loans, home improvement loans, and home refinance loans. Consumer loans were not analyzed as this loan type accounts for a small portion of the loan portfolio. Small farm loans were also not included in the analysis, as the Bank did not originate any loans of this type during the review period.

Although the total dollar amounts of loans are discussed, the evaluation focuses on the Bank's lending performance by the number of loans originated during the review period. With the exception of *Assessment Area Concentration* criterion, the analysis of the dollar volume of lending is not presented. Demographic information referenced in this evaluation was obtained using three different data sets: HMDA data for 2011 is compared to the 2000 Census; HMDA data for 2012 is compared to the 2010 Census; and small business lending data is compared to the Dun & Bradstreet business demographics for 2012. Bank financial information was obtained from the March 31, 2013 Report of Condition and Income (Call Report).

## PERFORMANCE CONTEXT

### Description of Institution

Nuvo Bank & Trust Company is a state-chartered financial institution established in 2008. The Bank's headquarters, and only branch, is located at 1500 Main Street in Springfield, Massachusetts. The operating hours are Monday through Friday 8:00 am to 5:00 pm. The main office is located in a low-income census tract.

Nuvo Bank provides financial services to individuals as well as small and medium sized businesses. The products offered include fixed rate residential mortgage loans, home equity loans, auto loans and personal loans. In addition, the Bank offers 24-hour online services, which allow customers to check balances, make deposits, initiate bill payments, perform transactions, and send customer service inquiries. Nuvo Bank also offers a 24-hour telephone banking service, which allows customers to conduct transactions from any telephone, as well as fee-free nationwide ATM services. In addition, the Bank offers services specifically for businesses, such as working capital lines of credit, commercial industrial financing, commercial real estate mortgages, equipment financing, and letters of credit. Nuvo Bank also offers additional services that include online ACH transactions, foreign and domestic wire transfers, lines of credit, remote deposit capture, and investment sweep services. Further, transaction reports from Nuvo Bank can be automatically downloaded into the records of the corresponding business, provided they use QuickBooks accounting software.

As of March 31, 2013, Nuvo Bank reported total assets of \$115.4 million. Assets increased by 179 percent since March 31, 2010. The Bank's loan portfolio, which represents 89 percent of total assets, increased 188 percent during this time period. Table 1 details the distribution of the loan portfolio as of March 31, 2013.

<b>Table 1</b>		
<b>Loan Portfolio Distribution as of March 31, 2013</b>		
<b>Loan Type</b>	<b>Dollar Amount \$('000s)</b>	<b>% of Total Loans</b>
Construction, Land Development, and Other Land Loans	1,079	1.1
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	4,855	4.7
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by 1st Liens	20,183	19.7
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Jr. Liens	0	0
Secured by Multi-Family (5 or more) Residential Properties	1,782	1.7
Secured by Nonfarm Nonresidential Properties	41,331	40.3
<b>Total Real Estate Loans</b>	<b>69,230</b>	<b>67.5</b>
Loans to depository institutions and acceptances of other banks	0	0
Commercial and Industrial	25,854	25.2
Loan to Individuals for Household, Family, and Other Personal Expenditures (Consumer Loans)	7,404	7.2
Less: Unearned Income	0	0
<b>Total Loans</b>	<b>102,488</b>	<b>100.0</b>

*Source: March 31, 2013 Call Report*

As shown in Table 1, Nuvo Bank's portfolio is composed primarily of commercial real estate and commercial and industrial loans, which combined account for the largest loan distribution at 65.5 percent. At approximately \$67.2 million, the commercial loan portfolio has increased by 156 percent since March 31, 2010.

The Division and the FDIC last evaluated Nuvo Bank's CRA performance on April 26 2010, and assigned an overall rating of "Satisfactory." There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

## Description of the Assessment Area

The CRA requires each financial institution to define an assessment area within which its CRA performance will be evaluated. Nuvo Bank's assessment area meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions; (2) includes the geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state boundaries; (5) does not reflect illegal discrimination; and (6) does not arbitrarily exclude low-and moderate-income areas.

Nuvo Bank's assessment area consists of twelve municipalities within Hampden County in Massachusetts. The municipalities are: Agawam, Chicopee, East Longmeadow, Hampden, Holyoke, Longmeadow, Ludlow, Southwick, Springfield, West Springfield, Westfield, and Wilbraham. All of the municipalities are part of the Springfield, MA Metropolitan Statistical Area (MSA) (#44140).

According to the 2000 Census data, the assessment area contained 86 census tracts: 17 low-income tracts (13 in Springfield and 4 in Holyoke); 18 moderate-income tracts (8 in Springfield, 4 in Chicopee, 3 in Holyoke, 1 in Ludlow, 1 in West Springfield, and 1 in Westfield); 33 middle-income tracts; and 18 upper-income tracts. Refer to Table 2 for demographic information about the assessment area according to 2000 Census data.

<b>Table 2</b>						
<b>Demographic Information for Assessment Area*</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>N/A % of #</b>
Geographies (Census Tracts)	86	11.0	30.2	35.2	23.4	0.2
Population by Geography	421,109	8.5	31.9	35.1	24.5	0.0
Owner-Occupied Housing by Geography	98,072	2.7	21.3	41.2	34.8	0.0
Businesses by Geography	32,306	10.3	20.0	33.6	36.1	0.0
Family Distribution by Income Level	107,030	25.2	17.7	20.1	37.0	0.0
Distribution of Low and Moderate Income Families throughout the AA by Geography	45,114	21.9	29.2	36.3	12.6	0.0
Median Family Income		\$51,150	Median Housing Value			\$122,019
HUD Adjusted Median Family Income for 2011		\$69,300				
Families Below Poverty Level		12.1%	Unemployment Rate			5.8%

\*Source: 2000 U.S. Census and 2011 HUD updated MFI

According to the 2010 Census data, the composition of Nuvo Bank's assessment area experienced several changes compared to the 2000 Census. First, the number of census tracts increased from 86 to 95. The 95 census tracts are now distributed as follows: 21 are low-income; 25 are moderate-income; 28 are middle-income; and 21 are upper-income. When comparing the 2010 Census data to 2000 Census data, the proportion of low-income census tracts increased by 23.5 percent, moderate-income census tracts increased by 38.9 percent, middle-income tracts decreased by 15.2 percent, and upper-income census tracts increased by 16.7 percent. Refer to Table 3 for demographic information about the assessment area according to the 2010 Census data.

<b>Table 3 Demographic Information for Assessment Area*</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Geographies (Census Tracts)	95	22.1	26.3	29.5	22.1	0.0
Population by Geography	427,628	16.1	28.4	30.8	24.8	0.0
Owner-Occupied Housing by Geography	100,482	4.9	23.5	38.1	33.5	0.0
Businesses by Geography	31,164	20.9	24.1	27.8	27.2	0.0
Family Distribution by Income Level	104,708	27.6	16.8	19.2	36.4	0.0
Distribution of Low and Moderate Income Families throughout the AA by Geographies	46,548	25.3	36.0	26.0	12.7	0.00
Median Family Income		\$65,772	Median Housing Value			\$216,726
FFIEC Adjusted Median Family Income for 2012		\$70,200				
Families Below Poverty Level		13.9%	Unemployment Rate			8.8

*\*Source: 2010 U.S. Census, 2012 FFIEC updated MFI, and April, 2013 Employment Rate from Bureau of Labor Statistics for Hampden County*

### ***Population***

As shown in Table 3, the assessment area has a total population of 427,628 consisting of 104,708 families. Of all families in the assessment area, 27.6 percent are low-income; 16.8 percent are moderate-income; 19.2 percent are middle-income; and, 36.4 percent are upper-income. A closer review of family demographics reveals the percentage of families below poverty level increased from 12.1 percent to 13.9 percent from the 2000 to the 2010 Census, while the percentage of area households that receive some form of public assistance decreased from 5.7 to 5.0 percent, respectively.

### ***Housing***

The area's population resides in 175,803 housing units, 57.2 percent of which are owner-occupied. The rate of owner occupancy within the assessment area varies by the degree of urbanization. Many of the census tracts in Springfield and Holyoke have owner occupancy rates below 30 percent. This statistic contrasts with more suburban areas like East Longmeadow, Hampden, Longmeadow, Ludlow, Southwick, and Wilbraham where the owner occupancy rate is predominantly in the 80 percent range. The median housing value in the assessment area, based on 2010 Census data, was \$216,726.

By census tract income level, 4.9 percent of owner-occupied housing units are in low-income census tracts; 23.5 percent are in moderate-income tracts; 38.1 percent are in middle-income tracts; and, 33.5 percent are in upper-income tracts. Compared to the data from the 2000 Census, owner-occupied housing units increased in low-income census tracts by 27.3 percent, in moderate-income census tracts by 48.4 percent, and by 4.1 percent in upper-income census

tracts. Conversely, owner-occupied housing units in middle-income census tracts decreased by 20.7 percent.

### ***Businesses***

Numerous businesses operate throughout the area and distributed throughout each of the census tracts. According to 2012 *Dun & Bradstreet* data, 31,164 businesses operate within the area. The highest proportion of these business establishments are engaged in the service industry. Businesses involved in retail trade, construction, finance and insurance, manufacturing, and wholesale trade also make up a significant share of the establishments. Approximately 71.3 percent of the businesses that reported their annual gross revenues have revenues of \$1 million or less and 71.9 percent employ four to fewer people.

### ***Competition***

Nuvo Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies to large national banks. Among the more prominent lenders with which Nuvo Bank competes are Bank of America, Wells Fargo, and RBS Citizens. The 2011 aggregate HMDA data shows that 275 lenders originated or purchased 10,329 residential mortgage loans in Nuvo Bank's assessment area. The Bank ranked 55<sup>th</sup> in lenders originating or purchasing loans within the assessment area, with a 0.3 percent market share. The low ranking is not surprising, as Nuvo Bank is primarily a commercial lender. Many of the financial institutions ranked ahead of Nuvo Bank purchase residential loans, are primarily residential lenders, are much larger in asset size, and are more established in the market place.

### ***Community Contact***

As part of the evaluation process, contacts within the community are interviewed to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of their communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was reviewed in preparing this evaluation. The contact indicated that projects for revitalization and stabilization projects in Chicopee are pressing issues in the area. The contact stated local financial institutions are involved in donating, but additional support would be helpful by providing guidance and expertise to potential small businesses. According to the contact, individual homeowner financing, financial literacy education, and first time homebuyer seminars are also community development needs at this time.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit (LTD) Ratio

One area in which an institution can service the credit needs of its community is by making loans. Loans, for the most part, are funded through bank customer deposits maintained by the institution. A measurement of how well an institution makes loans in relation to the amount of deposits held is the average net LTD ratio. The institution's average quarterly LTD ratio is then compared to similarly situated institutions based on an average for the same quarters.

Overall, Nuvo Bank's average net LTD ratio is more than reasonable considering the Bank's asset size, financial condition, and assessment area credit needs. Nuvo Bank's net average LTD ratio was calculated based for the 12 quarters since the previous examination. For the period reviewed, Nuvo Bank's net average LTD ratio was 94.3 percent, and ranged from a low of 86.4 percent as of June 30, 2010, to a high of 99.9 percent as of June 30, 2011.

Nuvo Bank's average net LTD ratio was considered more than reasonable when compared to four banks considered to be similarly-situated. The resulting average net LTD ratio was compared to those of similarly-situated financial institutions based on lending focus, geographic location, and asset size. These institutions are predominantly commercial lenders operating in the Bank's assessment area, and have total assets between \$75 million and \$160 million. Refer to Table 4 for details concerning this comparison.

As shown in Table 4, average LTD ratios of the other institutions range between 61.5 percent and 103.5 percent. Nuvo Bank's average LTD ratio at 94.3 percent is higher than all four similarly-situated banks and is considered more than reasonable.

<b>Table 4</b>		
<b>Net Loan-to-Deposit Ratio Comparison</b>		
<b>Institution</b>	<b>Avg. Net LTD Ratio</b>	<b>Asset Size \$(000's)</b>
The Bank of Fairfield	103.4%	152,911
<i>Nuvo Bank &amp; Trust Company</i>	<i>94.3%</i>	<i>115,415</i>
The Bank of Southern CT	88.8%	121,138
Quinnipiac Bank & Trust Company	87.0%	95,931
The Wilton Bank	61.5%	75,123

*Source: Call Report Data since last CRA Public Evaluation (6/30/2010 - 3/31/2013)*

As shown in Table 4, the four other institutions' average LTD ratios ranged between 61.5 percent and 103.4 percent. At 94.3 percent, Nuvo Bank's net average LTD is second highest among the similar institutions. However, the net LTD does not take into consideration the percentage of Nuvo Bank's originated residential loans sold in the secondary market. The Bank sold approximately 7.1 and 28.6 percent of all of its residential originations in 2011 and 2012, respectively. Overall, Nuvo Bank's LTD ratio demonstrates its strong commitment to reinvest in the community through lending activities.

## Assessment Area Concentration

This performance criterion evaluates whether the institution is meeting the credit needs within its assessment area. Nuvo Bank's lending performance was evaluated based on the number and dollar amount of small business and HMDA reportable loans extended within the assessment area. During the review period, a majority of loans were originated inside the assessment area in terms of number and dollar amount. Table 5 depicts the distribution of Nuvo Bank's sampled small business loans in 2012 and home mortgages in 2011 and 2012 made inside and outside of its assessment area.

Table 5 – Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(‘000s)	%	\$(‘000s)	%	\$(‘000s)
<b>Small Business Loans</b>										
<b>2012</b>	28	73.6	10	26.4	38	3,006	47.8	3,277	52.2	6,283
<b>Total Small Business</b>	<b>28</b>	<b>73.6</b>	<b>10</b>	<b>26.4</b>	<b>38</b>	<b>3,006</b>	<b>47.8</b>	<b>3,277</b>	<b>52.2</b>	<b>6,283</b>
<b>Home Mortgage Loans</b>										
<b>2011</b>										
Home Purchase	11	64.7	6	35.3	17	2,839	56.0	2,227	44.0	5,066
Refinance	12	75.0	4	25.0	16	2,117	68.5	975	31.5	3,092
Home Improvement	7	77.8	2	22.2	9	997	69.1	446	30.9	1,443
<b>Total</b>	<b>30</b>	<b>71.4</b>	<b>12</b>	<b>28.6</b>	<b>42</b>	<b>5,953</b>	<b>62.0</b>	<b>3,648</b>	<b>38.0</b>	<b>9,601</b>
<b>2012</b>										
Home Purchase	3	42.9	4	57.1	7	820	26.8	2,244	73.2	3,064
Refinance	11	61.1	7	38.9	18	4,017	61.7	2,495	38.3	6,512
Home Improvement	3	100.0	0	0.0	3	497	100.0	0	0.0	497
<b>Total</b>	<b>17</b>	<b>60.7</b>	<b>11</b>	<b>39.3</b>	<b>28</b>	<b>5,334</b>	<b>52.9</b>	<b>4,739</b>	<b>47.1</b>	<b>10,073</b>
<b>Total Home Mortgage</b>	<b>47</b>	<b>67.1</b>	<b>23</b>	<b>32.9</b>	<b>70</b>	<b>11,287</b>	<b>57.4</b>	<b>8,387</b>	<b>42.6</b>	<b>19,674</b>
<b>Grand Total</b>	<b>75</b>	<b>69.4</b>	<b>33</b>	<b>30.6</b>	<b>108</b>	<b>14,293</b>	<b>55.1</b>	<b>11,664</b>	<b>44.9</b>	<b>25,957</b>

Source: 2011 and 2012 HMDA LARs and CRA Loan Data

### Small Business Lending

As previously mentioned, Nuvo Bank was evaluated as a small bank and is not required to report its small business lending activity. Therefore, a sample of the small business activity was conducted. Table 5 shows the majority of small business loans were originated in Nuvo Bank's assessment area for 2012. A sample of 38 originated small business loans, totaling \$6.3 million was considered for the analysis. Of these loans, 28, or 73.6 percent of the count, totaling \$3.3 million, or 52.2 percent of the dollar amount, were originated inside Nuvo Bank's assessment area, a majority by both number and dollar amount.

### Home Mortgage Lending

Table 5 shows that Nuvo Bank originated 70 home loans totaling \$19.7 million during 2011 and 2012. There were 47 loans originated within the Bank's assessment area, representing 67.1 percent of the total loans. In 2011, 30 of 42 loans, totaling 71.4 percent, were within the assessment area. Further, in 2012, 17 of 28 loans, totaling 60.7 percent, were within the assessment area.

For both small business and residential lending, Nuvo Bank made a majority of loans within its assessment area by both count and dollar amount.

### **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

Nuvo Bank's small business and HMDA-reportable loans were analyzed to determine the extent to which the Bank addressed the credit needs of borrowers of different income levels and businesses of different sizes within the assessment area. Overall, the distribution of loans to borrowers of different income levels and businesses of different sizes was reasonable, considering the loan products offered, the demographics of the assessment area, and the competitive market in which the Bank operates.

#### *Small Business Lending*

The distribution of small business loans reflects a reasonable penetration of loans to businesses with gross annual revenues of \$1 million or less. Table 6 illustrates the distribution of sampled small business loans by the revenue size of the business in 2012. For comparison purposes, the table includes the percentage of businesses in the assessment area with gross annual revenues (GAR) under \$1 million.

<b>Table 6</b>			
<b>Distribution of Small Business Loans by Revenues Within the Assessment Area</b>			
<b>GAR \$(000s)</b>	<b>% of Total Businesses</b>	<b>Nuvo Bank 2012 Sample</b>	
		<b>#</b>	<b>%</b>
≤ \$1,000	71.3	21	75.0
> \$1,000 or Not Reported	28.7	7	25.0
<b>Total</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>

*Source: Small business loan sample for 2012 and Dun & Bradstreet 2012 business demographics.*

As shown in Table 6, Nuvo Bank made 75.0 percent of all sampled small business loans to businesses with GARs of \$1 million or less in 2012, which is comparable to the percentage of businesses in that size category (71.3 percent). At this level, Nuvo Bank exceeded the proportion of businesses with gross annual revenues of \$1 million or less within the assessment area at 71.3 percent and reflects a reasonable penetration among business customers of different sizes.

One manner in which Nuvo Bank has attempted to reach small business owners in the area and promote economic development is by underwriting several Small Business Administration loans under the 504 Loan Program (Program). The Program is designed to provide financing for the purchase of fixed assets, which usually means real estate, buildings and machinery, at below market rates. The mission of the Program is to promote the development of businesses, something identified as a significant need in the assessment area and surrounding communities. In 2012, Nuvo Bank originated three loans under the Program totaling \$ 1.1 million.

In late 2012, Nuvo Bank also became a participating bank in the Massachusetts Capital Access Program (MASSCAP). MASSCAP is designed to help small businesses throughout Massachusetts obtain loans from participating banks. Using cash collateral guarantees from a loan loss reserve fund, this program enables banks to make loans they might otherwise be unable

to grant. In December, 2012, Nuvo Bank originated one loan under the MASSCAP program totaling \$20,000.

Although Nuvo Bank's 2011 small business lending was not analyzed in this evaluation, it is noted in 2011, Nuvo Bank received a \$290,000 deposit from the Small Business Banking Partnership which was administered by the Commonwealth of Massachusetts. The goal was to provide funds to community banks to make loans to new small businesses, which in turn helps create jobs and stimulate the local economy. Nuvo Bank made 5 loans totaling \$290,000 which fit the criteria for the business growth plan.

### Home Mortgage Lending

The distribution of home mortgages reflects reasonable penetration among borrowers of different income levels. Table 7 illustrates HMDA loan originations reported by Nuvo Bank in 2011, categorized by borrower income level, and compares this activity to the 2011 aggregate lending data and the 2000 Census percentage of families by income level within the assessment area. In addition, Table 7 shows the 2012 borrower distribution compared with percentage of families demographics from the 2010 Census.

<b>Table 7</b> <b>Distribution of Residential Loans by Borrower Income Level</b>							
<b>Borrower Income Level</b>	<b>% of Total Families (2000 Census)</b>	<b>2011 Bank Lending</b>		<b>2011 Aggregate Lending Data (% of #)</b>	<b>2012 Bank Lending</b>		<b>% of Total Families (2010 Census)</b>
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>	
Low	24.6	2	6.7	8.0	0	0.0	27.7
Moderate	17.6	2	6.7	21.8	1	5.9	16.8
Middle	21.0	4	13.3	24.0	3	17.7	19.2
Upper	36.8	13	43.3	33.1	8	47.1	36.4
NA	0.0	9	30.0	13.2	5	29.4	0.0
<b>Total</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>100.0</b>

*Source: 2000 and 2010 U.S. Census Data, 2011 and 2012 HMDA Data*

As noted previously, the Bank is primarily a commercial lender. According to Bank management, home mortgage volume in both 2011 and 2012 was primarily generated from existing commercial relationships. Also of note is the significant percentage of loans to borrowers where income of NA is reported, which is the code used when a borrower is not a natural person (for example, a business entity). The Bank does very little marketing of its residential loan products; therefore, low volume is not unexpected.

In 2011, Nuvo Bank's lending to low-income borrowers, at 6.7 percent, was below both aggregate lending at 8.0 percent and the percentage of low-income families at 24.6 percent. However, a more in-depth review of the area's families reveals that approximately 12.1 percent have incomes below the poverty level, which is a sub-set of low-income individuals. This data further suggests a reduced level of opportunity for the Bank to make home mortgage loans to low-income borrowers. Lending to moderate-income borrowers also totaled 6.7 percent and below the percentage of moderate-income families residing in the area at 17.6 percent and aggregate lenders at 21.8 percent. This lower percentage than the aggregate and assessment area demographics is understandable considering a significant portion of Nuvo Bank's home

mortgage volume is attributed to existing commercial relationships. Home loan activity among middle-income borrowers, at 13.3 percent, was also below the 24.0 percent representation of middle-income families in the assessment area. Conversely, Nuvo Bank's percentage of home loans at 43.3 percent made to upper-income borrowers was well above the representation of upper-income families in the area at 36.8 percent and aggregate lenders who reported making 33.1 percent of their total lending to upper-income borrowers. Similar to the lending patterns to low- and moderate-income borrowers, the high percentage of lending to upper-income borrowers is primarily attributed to the various established business relationships. As previously noted, Nuvo Bank is primarily a commercial lender which finances small business lending and residential home mortgage lending is done frequently as an accommodation or as a result of an established relationship with a business customer.

In 2011 and 2012, 30.0 and 29.4 percent, respectively, of Nuvo Bank's home mortgage lending was to borrowers with reported incomes of "NA." Typically, this code is used when the borrower is not a natural person, such as a business entity. Comparatively, the aggregate of all lenders only reported 13.1 percent of home loans were made to borrower's with an income level of NA. The large percentage of home mortgage loans with reported incomes of NA is not surprising when considering Nuvo Bank is primarily a commercial lender and a majority of its lending results from relationships it has with business entities.

The 2011 market-share reports revealed Nuvo Bank ranked 53<sup>rd</sup> out of 93 lenders that made or purchased at least one home mortgage to a low-income borrower in the assessment area, with a market share of 0.2 percent. Additionally, the Bank ranked 90<sup>th</sup> out of 139 institutions in lending to moderate-income borrowers, with a market share of 0.1 percent. The top three lenders to low-income borrowers are Bank of America, N.A., RBS Citizens, N.A., and Wells Fargo Bank, N.A., capturing over 25 percent of the market share. The top three lenders to moderate-income borrowers are Bank of America, N.A., Wells Fargo Bank, N.A., and RBS Citizens, N.A., capturing 24.5 percent of the market share. All three of the top lenders are much larger national institutions with numerous banking offices and more resources than Nuvo Bank which is a de novo institution with only one banking office and limited resources located in downtown Springfield.

Overall, the distribution of small business and home mortgage loans reflects an adequate penetration among borrowers of different income levels when considering Nuvo Bank's size, resources, de novo status, and its commercial lending focus.

### **Geographic Distribution of Lending**

The institution's performance was analyzed based on the geographic distribution of its small business and HMDA-reportable loans within the assessment area. This criterion assesses the Bank's performance in addressing the credit needs in low-, moderate-, middle- and upper-income census tracts. Overall, the geographic distribution of small business loans and HMDA-reportable loans reflects a reasonable penetration throughout the assessment area based on demographics.

### Small Business Lending

The geographic distribution of small business loans reflects a reasonable dispersion throughout the assessment area. Table 8 summarizes Nuvo Bank's distribution of small business loans by census tract income level and compares this activity to the demographic distribution of businesses within the assessment area.

<b>Table 8</b> <b>Distribution of 2012 Small Business Loans by Census Tract Income Level Within Assessment Area</b>				
<b>Census Tract Income Level</b>	<b>Total Businesses in Assessment Area</b>		<b>2012 Small Business Loans</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	6,513	20.9	6	21.4
<b>Moderate</b>	7,510	24.1	6	21.4
<b>Middle</b>	8,664	27.8	8	28.6
<b>Upper</b>	8,477	27.2	8	28.6
<b>Total</b>	<b>31,164</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>

*Source: 2012 Sampled small business loans and 2012 Dun & Bradstreet Demographics*

As shown in Table 8, the geographic distribution of Nuvo Bank's small business loans is generally reasonable and dispersed to census tracts having different income levels. The Bank's small business lending stood at 21.4 percent in both in low- and in moderate-income geographies. This lending distribution percentage is comparable with the percentage of businesses operating in both low- and moderate-income census tracts. This lending distribution is considered reasonable, especially when considering the competition within the area and that most of the other financial institutions are much larger, have more resources, and Nuvo Bank is a de novo institution still establishing itself in the market place.

### Home Mortgage Lending

The distribution of Nuvo Bank's home mortgage loans reflects reasonable dispersion throughout the assessment area. Table 9 illustrates HMDA loan originations, categorized by census tract income level reported by the Bank in 2011, and compares this activity to the 2011 aggregate lending data and the 2000 Census percentage of owner-occupied housing units by census tract income level within the assessment area. In addition, Table 9 shows the 2012 census tract income level distribution compared with percentage of owner-occupied housing units demographics from the 2010 Census.

Table 9 Distribution of Home Mortgage Loans by Census Tract Income Level							
Census Tract Income Level	% of Owner-Occupied Housing Units (2000 Census)	2011 Bank Lending		2011 Aggregate Lending Data (% of #)	2012 Bank Lending		% of Owner-Occupied Housing Units (2010 Census)
		#	%		#	%	
Low	3.9	6	20.0	2.3	2	11.8	4.9
Moderate	15.8	4	13.3	12.1	0	0.0	23.5
Middle	48.1	12	40.0	45.0	5	29.4	38.1
Upper	32.2	8	26.7	40.6	10	58.8	33.5
Total	100.0	30	100.0	100.0	17	100.0	100.0

*Source: 2000 and 2010 U.S. Census Data, 2011 and 2012 NB&TC HMDA Data, 2011 Aggregate data*

In 2011, Nuvo Bank's lending within low-income census tracts, at 20.0 percent, was significantly more than the aggregate lending at 2.3 percent. The lending within moderate-income census tracts at 13.3 percent also exceeded aggregate lending at 12.1 percent as did lending within upper-income census tracts. These heightened percentages are attributable to the overall low volume of loans. Nuvo Bank's percentage of loans in middle-income geographies was less than the aggregate market. Overall, however, Nuvo Bank's home mortgage lending by geography is consider reasonable when taking into account the lending volume, the asset size, resources, de novo status, and business plan.

The 2011 market-share reports revealed Nuvo Bank ranked 11<sup>th</sup> out of 64 lenders that made or purchased at least one home mortgage within a low-income census tract in the assessment area, with a market share of 2.5 percent. However, 31 of the 64 lenders only originated or purchased 1 loan. Additionally, Nuvo Bank ranked 54<sup>th</sup> out of 116 institutions in lending within moderate-income census tracts, with a market share of 0.3 percent. The top three lenders lending within the low-income census tracts are Bank of America, N.A., Wells Fargo Bank, N.A., and RBS Citizens, N.A., capturing 25.3 percent of the market share. The top three lenders lending within the moderate-income census tracts are Wells Fargo Bank, N.A., Bank of America, N.A., and RBS Citizens, N.A., capturing 25.1 percent of the market share. As mentioned previously all three of the top lenders are much larger national institutions with numerous banking offices and more resources than Nuvo Bank.

Overall, the distribution of loans reflects reasonable dispersion throughout the assessment area, particularly in low- and moderate-income census tracts considering the Bank's de novo status and business strategy.

### **Response to CRA Complaints**

Nuvo Bank did not receive any CRA-related complaints during the evaluation period; therefore, this performance criterion did not bear any weight in assigning the overall CRA rating.

## **APPENDIX A**

### **Fair Lending Policies and Practices**

A violation of the Federal Reserve Board's Regulation B – Equal Credit Opportunity (ECOA) was identified during the concurrent compliance examination of the Bank. The violation was substantive; however, the Bank's overall CRA rating was not negatively impacted.

The Division provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

Included in the Bank's loan policy are the Bank's efforts to eliminate discrimination. The Bank provides fair lending training to all lending personnel as well as the Board at least annually. Management develops training programs that cover all aspects of the lending process. The Bank has 3 bi-lingual employees; 2 speak Spanish and 1 speaks Polish. In addition, the Bank maintains a second review process for its Business and Residential loans prior to notifying the applicant.

### **MINORITY APPLICATION FLOW**

According to the 2010 U.S. Census Data, the Bank's assessment area contained a total population of 427,628 individuals of which 34.6 percent are minorities. The assessment area's minority and ethnic population is 22.5 percent Hispanic or Latino, 8.3 percent Black/African American, 2.0 percent Asian, 1.6 percent Other race, 0.2 percent American Indian, and 0.03 Hawaiian/Pacific Islander.

For 2011 and 2012, the Bank received 92 HMDA-reportable loan applications from within its assessment area. Of these applications, 3 or 3.3 percent were received from minority applicants, of which 2 or 66.7 percent resulted in originations. For the same time period, the Bank also received 3 applications from ethnic groups of Hispanic origin within its assessment area of which none were originated.

The Bank's level of lending was compared with the aggregate's lending performance level for the most recent year that data was available; the data used is from 2011. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants.

In 2011, the Bank had no minority applications; however a joint Hispanic application was captured. In 2012, the Bank received 6.9 percent of its applications from minorities. Although the 2012 minority and ethnic application performance cannot be compared to aggregate performance, there has been significant improvement when compared to the Bank's 2011 performance.

The low minority application flow was discussed with management. In part, the low minority application rate can be attributed to the overall low volume of applications combined with the strong level of competition from surrounding financial institutions. In addition, the majority of the Bank's lending is received from corporations or entities, in which government monitoring



data is not collected and, in 2011 and 2012, there were approximately 40.8 percent and 50.0 percent of applications where the ethnic or racial composition of the borrower was not identified.

Overall, the Bank's minority application flow is deemed adequate due to the relatively low volume of lending and high level of competition.